

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 PM-04 TRSE-00 DODE-00 SS-15 NSC-05
SSO-00 NSCE-00 CIAE-00 INR-07 NSAE-00 AID-05 EB-07
OMB-01 L-03 ABF-01 INRE-00 /059 R

DRAFTED BY NEA/ARN:TCAROLAN
APPROVED BY NEA:NAVELIOTES
NEA/ARP:FGERLACH
PM/SAS:DKEENE
NEA/ARN:MDRAPER
TREASURY(FFB):MR.CROSSWHITE
DOD/OSD/DSAA:LT.GEN.HFISH
DOD/OSD/ISA:LT.COL.PSLATER
DOD/OSD/OGC-ISA:SHERO
-----131410Z 101005 /53
O 130645Z MAY 77
FM SECSTATE WASHDC
TO AMEMBASSY AMMAN IMMEDIATE
INFO AMEMBASSY JIDDA IMMEDIATE

C O N F I D E N T I A L STATE 107943

E.O. 11652: GDS

TAGS: MASS, PFOR, JO, US, SA

SUBJECT: SAUDI GUARANTEE OF FY 1976 FMS LOAN TO JORDAN

REF: STATE 92294

1. ASSISTANT SECRETARY ATHERTON (NEA) HAS RECEIVED FOLLOWING
LETTER, DATED MAY 3, FROM SAUDI AMBASSADOR ALIREZA:

QUOTE: DEAR MR. ATHERTON: THIS LETTER IS IN ACCORDANCE
WITH OUR DISCUSSION IN THE STATE DEPARTMENT ON SATURDAY,
APRIL 23, 1977 ON THE QUESTION OF THE SAUDI GUARANTY OF THE
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JORDANIAN ARMS DEAL.

I HAVE THE PLEASURE TO INFORM YOU THAT THE SAUDI ARABIAN
MONETARY AGENCY HAS PROPOSED THAT ARTICLE (2) OF THE GUAR-
ANTY AGREEMENT SUGGESTED (SIC) BY THE UNITED STATES GOVERN-
MENT BE READ AS FOLLOWS:

INNER QUOTE: DUE AND PUNCTUAL PAYMENT HEREUNDER OF SAID UNPAID PRINCIPAL AMOUNT DUE AND PAYABLE UNDER THE NOTE SHALL BE DEEMED TO HAVE BEEN MADE IF SAMA PAYS SUCH AMOUNT WITHIN A PERIOD ENDING 15 DAYS AFTER NOTICE TO SAMA BY THE HOLDER OF THE NOTE CERTIFYING THAT SUCH AMOUNT IS DUE AND PAYABLE AND THAT SUCH AMOUNT HAS REMAINED UNPAID FOR A PERIOD OF TEN

DAYS AFTER SAID HOLDER HAS DULY MADE A WRITTEN REQUEST UPON THE BORROWER FOR PAYMENT OF SUCH AMOUNT. END INNER QUOTE.

I AVAIL MYSELF OF THIS OPPORTUNITY TO RENEW TO YOU THE ASSURANCES OF MY HIGH ESTEEM AND CONSIDERATION. SINCERELY, ALI A. ALIREZA. END QUOTE.

2. ALIREZA'S LETTER MADE NO MENTION OF THE PARAGRAPH (PARA 4 REFTEL) WE SUGGESTED BE ADDED AT THE END OF THE SAUDI GUARANTEE STATEMENT PREVIOUSLY CONVEYED TO US BY THE JORDANIANS. HOWEVER, HIS REFERENCE TO HIS APRIL 23 MEETING WITH ATHERTON (IN WHICH WE SUPPLIED ALIREZA THE TEXT OF OUR SUGGESTED ADDITIONAL PARAGRAPH) SEEMS TO IMPLY THAT THE SAG DID NOT FIND OUR PROPOSAL ACCEPTABLE.

3. WE WILL SEEK TO CLARIFY THIS POINT WITH ALIREZA AT EARLIEST OPPORTUNITY. AT SAME TIME, WE SHALL TELL HIM THAT THE CHANGE IN THE SAUDI GUARANTEE STATEMENT PROPOSED IN HIS MAY 3 LETTER DOES NOT RPT NOT SUFFICIENTLY DISPEL THAT STATEMENT'S AMBIGUITY ON THE ESSENTIAL POINT OF WHO WOULD ASSUME LIABILITY FOR REPAYMENT OF PRINCIPAL ON THE FMS LOAN
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IN THE LIKELY EVENT THAT THE JORDANIANS THEMSELVES CANNOT REPAY IT. (THE PROPOSED CHANGE WOULD DELETE THE FINAL 20 WORDS OF NUMBERED PARAGRAPH 2 OF THE SAUDI GUARANTEE STATEMENT AS ORIGINALLY CONVEYED TO US IN AMMAN 2143. IT DOES NOT, HOWEVER, REMOVE THE PROBLEM -- AND POSSIBLE FUTURE PITFALLS -- CREATED BY THE VAGUENESS OF THE STATEMENT AS A WHOLE.) WE WILL SUGGEST TO ALIREZA THAT HIS GOVERNMENT RECONSIDER THE ADDITION OF THE EXTRA PARAGRAPH WE PROPOSED TO HIM ON APRIL 23, OR, IF THIS IS NOT POSSIBLE, THAT IT TAKE ANOTHER LOOK AT THE POSSIBILITY OF USING -- IN LIEU OF THE LENGTHY SAUDI GUARANTEE STATEMENT -- THE SIMPLER, MORE STRAIGHTFORWARD LANGUAGE THAT WE PROPOSED TO THE SAG VIA THE JORDANIANS IN EARLY APRIL (PARA 2 STATE 74467).

4. YOU SHOULD ADVISE JAF OF FOREGOING AND ENLIST THEIR COOPERATION IN AGAIN APPROACHING THE SAUDIS ON THIS SUBJECT IN RIYADH. CHRISTOPHER

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